Remarks of Ambassador Bleich
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Thank you for that kind introduction. I'd like to thank Allen Lee and the Asian Venture Capital Journal for hosting this luncheon as well as Joe Skrzynski and CHAMPS for giving me the opportunity to meet with you all today.

I've been in my current post as Ambassador for just over three months now, and so I am still adjusting to the shift from being a lawyer to being a diplomat. My friends say I'm a "recovering lawyer," and so they are a little concerned that today's speech may indicate some backsliding.

As a lawyer in San Francisco, I represented financial institutions including some private equity groups and venture funds. Given my new role, I've been advised not to give legal counsel to you all. Allen was especially emphatic about this after I told him that I'd have to charge you all $700/hour for my time.

Starting now.

So instead, I'd like to share some thoughts on a broader level. In particular, I'd like to discuss the current state of Australia's economy from the U.S. perspective, the investment opportunities it has presented to American businesses, and the American economic picture 18 months after the global financial crisis and how that affects U.S. investment.

So first the Australian economy. Any discussion of a Nation's economy these days has to be done through the prism of the global financial crisis. Even economies with generally strong fundamentals were undercut by the crisis, and so we can't make fair assessments unless we take the GFC into account.

The short version is that, of all of the OECD countries, Australia appears to have weathered the Global Financial Crisis better than any other. Australia's economy has been strong for decades and so was in good shape before the GFC. In fact, it was the General Electric of developed nations in that it had 19 consecutive years of economic growth each quarter up until the 4th quarter of 2008 when the GFC hit. Unlike most economies, however, Australia did not go into a recession – at least as we define that term in the U.S., because it did not have two consecutive quarters of economic decline.

Instead, it had positive growth by the first quarter of 2009. The Australian economy grew by 1.5% over the first three quarters of 2009 and was the best performing economy in the OECD last year.

I think there are at least four explanations for Australia's success in surviving the GFC. First, its banking system was in a better position to ward off the problems that plagued other nation's bank systems. Australia had a couple of unique features in its banking structure. Back in the 1990s, in response to some perceived weakness in their regulatory structure, Australia initiated some micro-reforms that other nations haven't adopted. More importantly, its four pillars structure, which prevents the four major Australian banks from merging with one another, had the effect of reducing competition over basic bank products. This has meant that Australian banks make a good return on basic bank products and so they weren't tempted by the risky sorts of exotic bank products like sub-prime mortgages in order to show healthy profits. They could get the same profits by sticking to lending fundamentals and so by and large they did that. By the time some banks started to show interest in these mortgages, they were already starting to seem hazardous and so there was a much smaller percentage of Australian funds tied up in bad products than there were of other nations' funds.

Second, Australia responded very quickly to the GFC. When the GFC first hit, it hit hard, and credit virtually locked up. The current government recognized that in order to keep people investing and lending, it needed to stimulate the economy. Australia's timing proved to be just right, and it explains why Australia had such a brief dip in growth.

Third, there were some features of how people in Australia invest that made it easier for the stimulus package to work. Although the banks weren't into sub-prime mortgages, other institutions were selling them. However, unlike in the U.S. where most people buy fixed rate mortgages, in Australia the vast majority of home-buyers have adjustable rate mortgages. That means that when the government lowered its interest rates, consumers experienced immediate relief. In the U.S., by contrast, reducing mortgage rates did not give home-owners relief unless they refinanced, and in many cases they either did not refinance or they refinanced on new bad terms.

Fourth, Australia benefitted from the strength of China's commodities sector. China is Australia's biggest trade partner, and its purchases of coal, iron ore, and other commodities helped Australia's recovery.

As a result, the Australian financial system looks good and comparatively healthy right now. One sign of this is that Australia is now taking its foot off the economic gas pedal to avoid inflation. Australia was one of the first advanced economies to raise interest rates. And just recently the government announced it will remove the wholesale funding guarantee for financial institutions at the end of this month.

All of this news leads me to my second, and now obvious, point: Australia is a good place in which to invest these days. You've got a strong, stable economy and government, a competitive and well-educated work force, and you have some booming economic sectors. The commodities sector in particular has been very promising, particularly with a large list of LNG projects in the pipeline. The other thing I like about investing in Australia is you don't have to worry about spin, because it tends to make conservative growth estimates. For instance, unemployment, was originally expected to rise to 8-10%. It now appears to have peaked at 5.8% late last year and is currently considerably lower than that. As a result of the improved budget situation, net government debt is now expected to peak below 4.7% of GDP and the government could return to budget surpluses as early as 2015.

For all of these reasons, America has been putting its money where its mouth is – or at least where my mouth is. America is buying Australian, investing in Australia, and employing Australians.

What do I mean by that? The United States is Australia's third largest trading partner after China and Japan. In 2005, the U.S.-Australian Free Trade Agreement went into effect and it has just accelerated that trade relationship. In its first four years, the FTA has led to a 57% increase in total bilateral trade in goods and services (approximately US$51 billion in 2008). Even with the global slowdown, in 2008 just under half a million Americans visited Australia and nearly 700,000 Australians visited the United States. Clearly the free trade agreement is working to the benefit of both countries.

We also have a strong reciprocal investing relationship with Australia. The latest numbers we have indicate U.S. investment in Australia stood at roughly 350 billion U.S. dollars last year. The U.S. is the largest investor in Australia, and the primary destination for Australian investment abroad. I think the LNG sector is likely to ensure that trend continues for years to come. Chevron for example has both the Greater Gorgon and Wheatstone projects. ConocoPhillips has the Darwin LNG project, and ExxonMobil has investments in both Great Gorgon and is moving on the Scarborough project. To put it in perspective, just one of those projects, Gorgon, is bigger than the entire market cap of Unocal. It is more than Chevron paid for Texaco. These are big projects. But I also expect there to be substantial investment in Cleantech and defense sectors.

Finally, much of our engagement in Australia relates to services. American companies, large and small, hire Australian workers. These companies currently contribute to Australia's prosperity by employing over 325,000 Australians.

So now I've covered my first two points – Australia's economy looks good and America is putting its money on Australia. The last point that I promised to cover has to do with America's broader strategy.

As I'm sure you all know, President Obama has been spending a lot of time in Asia since he was elected President. He has been to China, Singapore, South Korea, and Japan, and in a few weeks he is coming here to Australia as well as to Indonesia. His visit represents a reaffirmation at the highest, and most personal levels, of the deep and abiding partnership between our two countries. But it also reflects an appreciation for the importance of Asia to America's economic future.

President Obama has spoken of the United States as a Pacific Country and of himself as our first Pacific President. There is no question that the Asia-Pacific's influence is great, and that it is growing. Indeed, the Pacific holds the key to the future. The new G20, which we have established as a broader and properly rebalanced economic forum, rightly includes several Asia Pacific nations. And with roughly 40 percent of the world's population, and over 54 percent of global GDP centered in the Asia Pacific, it's self-evident America's success and Australia's success are inextricably linked to this vital region. And thus both U.S. and Australia's fortunes depend upon the commitment of our nations to reach across the Pacific and extend peace and prosperity throughout the region.

The way in which U.S. investment in Asia plays out will depend upon several factors. The President's first critical priority when he took office was to get America back from the brink of a global financial meltdown. The economic challenges facing the United States when President Obama took office were among the greatest in our history. Last January, the American economy was truly in freefall. Real GDP was falling at an annual rate of more than 6 percent and the U.S. economy was losing jobs at the devastating rate of almost 800,000 per month. Our financial markets, had narrowly avoided collapse in the financial panic of the early fall of 2008, and investors were still traumatized with fear. Borrowers of all sorts, from households to small businesses to large corporations, were having trouble accessing the credit necessary for normal economic activity.

The federal stimulus package has succeeded in stopping the financial hemorrhage and is saving the patient. A year ago, the Dow was at 6400; now it is well over 10,000. We had a positive quarter to end 2009, and are creating new jobs. Most importantly the outlook for 2010 is for continued growth and we are seeing corresponding investment activity.

But avoiding disaster is not the end of the story. Now we have to address some of the weaknesses that caused the disaster in the first place, or that the GFC exposed. For nearly a decade, typical American families had seen their incomes stagnate, instead of rising steadily as they had for generations. Much of the economic growth that the United

States experienced in the past decade was fueled by consumers and the government running up large budget deficits, aided by a financial system better at making short-term profits than managing long-term risks. Rapidly rising health care costs squeezed both family incomes and the government's budget. And as a country, we were failing to invest in education, new energy technologies, and basic research and development.

So while we've averted global economic catastrophe, a great deal of work remains. The first step is to put our own economic house in order to ensure that the U.S. remains competitive in Asia. Over the past year, President Obama, working with Congress, has emphasized the need to move our economy toward greater investment, and away from unsustainable budget deficits. Those deficits cost us money in that we have to pay interest on what we've borrowed. This is particularly of concern when we are borrowing from sovereign wealth funds. So we have begun the process of rebuilding the economy on a stronger foundation. We are also working to eliminate some self-inflicted financial wounds. We are working to pass a bill for quality, affordable health care that will reduce the burden on business to carry our healthcare system. We are re-investing in better education and job training because skilled workers is where the U.S. has its greatest technical advantage. We are committed to developing clean energy for dozens of reasons, but one of them is to reduce oil imports and give America a cheaper, more reliable, and sustainable source of energy. And we are reinvesting in infrastructure and innovation, because those are the areas in which the U.S. obtains the greatest competitive economic advantage.

The other thing we are doing in Asia is expanding our trade relationship here by doing what works. Free trade has been good for American commerce, for Australian commerce, and it is good for stabilizing world markets. So our next priority is to continue to open our markets and extend free trade. We committed to engaging in the Trans-Pacific Partnership which will bring 8 nations on both sides of the Pacific into a free-trade relationship with a multilateral, state-of-the-art, 21st century agreement. Negotiations on the TPP agreement will get underway down in Melbourne in two weeks. We are also working toward the successful culmination of the Doha Round of multilateral trade negotiations, although we realize that this process has some challenges.

With that agenda, America can ensure that it remains strong economically, that it strengthens the economy of this region, and that, side by side with Australia, we ensure as a regional matter that all nations enjoy the benefits of trade.